2025 INVESTOR DAY –

CONSUMER & COMMUNITY BANKING

TRANSCRIPT

May 19, 2025

JPMorganChase

MANAGEMENT DISCUSSION SECTION

Operator: Welcome to the stage, Marianne Lake.

Marianne Lake

Chief Executive Officer of Consumer & Community Banking

Okay. Good morning, everybody. It's my pleasure once again to be able to spend the next hour discussing the Consumer & Community Banking franchise with you. And as Jeremy said today, I'll share our strategies, our progress and our expectations looking forward with a particular focus on a wider range of potential outcomes, given the uncertainty in the outlook.

So, riffing off of a firm tagline, which Jeremy didn't use this time, this page describes CCB's top-down strategically differentiated positioning. We are complete. Number one in our core businesses with a full set of products and services, and scaling adjacencies in Wealth Management and Connected Commerce. We're national with 5,000 branches across 48 states and the number one digital banking platform in the U.S. We're diversified, supporting best-in-class through-the-cycle returns, and we are at scale, having deep relationships with more than 91 million customers across segments.

So, before looking forward, let's look back at the progress that we have made over the last five years. On the top left, I've said it before, but it all starts with customer relationships, consistently growing at 3% a year, with digital engagement double that at 6%, both being outpaced by deepening, and 7% growth in multi-LOB customers. All while delivering records in NPS and customer satisfaction across CCB and across our channels.

On the right, we are a growth franchise, gaining share broadly, and doubling the size of Wealth Management and Connected Commerce over the last five years. None of it would be possible without the investments we're making in distribution, tech, data and AI to drive customer experience, profitable growth and productivity. Closing out this page, 2024 was another year of best-in-class financial performance, with an ROE exceeding 25% on both a reported and a normalized basis.

So, digging into our financial performance one click deeper on the next page. Starting at the top, deposit balances stabilized at the end of last year, and year-to-date, we've seen modest growth. Loan growth continues driven by Card, and together, these will drive NII higher this year. Noninterest revenue growth will continue, notably in Wealth Management, Card and Connected Commerce, as well as normalization in auto lease. On expense, we have more than doubled investment spend over the last five years. Those investments are paying off and growth is moderating from here, and credit costs remain in line with our expectations for 2025.

On revenue. So 2019 was a normal year and exit 2024 also felt somewhat normal with balances stabilized and credit normalized, which is to say that you can actually look past all of the macro noise over the last five years and see that organic growth has been the revenue driver and will be a strong tailwind looking forward. We are also seeing the power of diversification in our revenue. First, even as deposit balances and margins came down last year, we benefited from capturing nearly 90% of net yield-seeking flows within our ecosystem, and the impact of lower deposit NII was basically offset by our lending businesses. Secondly, noninterest revenue has now grown over the significant headwinds of the pandemic and we expect growth to continue.

Now, let's set the backdrop for our key performance drivers looking forward, starting with the health of the consumer. This is a busy page and you can read it later. But overall, we see both consumers and small businesses remaining financially healthy and resilient. True whether you look at cash buffers, spend or credit metrics, also generally true across income segments for consumers and for smaller businesses, too. However, what has definitely worsened is consumer confidence and small business sentiment, but it is too early to see any transmission to real customer behaviors yet.

So, we don't have a crystal ball, but let me lay out a range of economic scenarios consistent with Jeremy's upfront presentation. We're using four scenarios to illustrate a range of potential outcomes across our most material business drivers. You can also read these at your leisure, but from the left, a soft-landing, sun is shining view, which was our base case until quite recently. Second, a near-term mild recession, with unemployment peaking at about 5.3% and rates coming down to 325 basis points by early next year. The distance between a soft landing and mild recession is somewhat narrow, and our current central case, which has been fluid over the last several weeks, is between these two. Third, a moderate recession, unemployment peaking at 6.5%, rates coming down to 2% in 2026. And fourth, a deep early recession, with unemployment peaking a little over 7% and rates cut hard and fast to 25 basis points by mid-next year.

So, let's look at the range of outcomes, starting with deposit balances. As I said, we are beginning to see modest growth this year in checking, driven by strong customer acquisition, adding about 10 million net new checking accounts over five years, and we expect deposit growth through 2027 in all scenarios. In fact, in lower rate scenarios which often accompany periods of stress, we benefit from stronger growth, including flight to quality.

Moving to deposit margin and I'm going to set some context. In CCB, as you know, we don't take outright interest rate risk positions. We'd rather transfer that to Corporate Treasury to manage. So, our margins now come of the assessment of deposit duration and reprice sensitivity, and therefore, it is a function of a blend of short-term and long-term prevailing rates, plus the liquidity value we're paid as a source of funding for the Firm.

Looking back over the last decade or so, rates were structurally low for a number of years, and as such, over the last 10 years, our average deposit margin was a little over 200 basis points, but for many of those years, it was below 200. We obviously don't know what rates will do looking forward, but everything we show you here is based on the scenarios. Starting well above 400 basis points is just a different place to start.

In the table in the bottom right, you see a snapshot of our current funding profile. There's a portion of our deposits invested short, representing higher beta deposits and a potential for balance changes. This has, obviously, served us well over this rate hiking cycle with significant excess liquidity draining from the system. There's another portion we deploy for term, and more recently, over the last three years, we've had the opportunity to deploy at rates on average above 4%, leaving a balance that was invested before this most recent rate cycle at lower rates, yielding below 2%. This is, obviously, an opportunity to improve margin as we reinvest it looking forward.

So, starting with 2024 margin of 266 basis points, as front end rates trend down, we expect the mix of CDs and higher beta products, and therefore, rate paid to trend down also. Coupled with a steeper curve under most scenarios, we expect deposit margin of about 250 basis points or more, with the obvious exception of the deep recession. If rates are cut to close to zero and stay there for a while, so will go our margin over time.

Moving on to lending and credit. Credit card balances will also grow across scenarios, a function of the cumulative impact of new vintage acquisitions. We're adding about 10 million new accounts a year and have improved retention from an already strong position, up 70 basis points over the last five years. Outstandings have grown with a 6% CAGR from 2019 through 2024, notwithstanding the sharp, pandemic V-shaped dip and recovery, and in fact, a 6% CAGR if you look all the way back to 2014. We currently expect stronger growth looking forward of 8%, plus or minus. The arrows in the chart on the bottom right show the countervailing impacts of drivers under stress, which we believe would still net to moderate growth of about 3% or 4%, depending on the scenario.

Moving to the next page, looking at Card credit metrics, spoiler alert, these still look very good on both an absolute and relative basis. Importantly, leading indicators also still look good, entry to delinquency, early flow rates to two missed payments, and minimum or low payment rates. While we see some movement, these are stable and do not yet indicate stress. Rounding off, we expect Card charge-offs this year broadly in line with our guidance of 3.6%. And given the elevated level of uncertainty and how much market views are changing, for 2026 outlook, I put on the page a range from 3.6% to 3.9%, with 3.6% being consistent with a continued benign environment and given our portfolio mix and metrics have now normalized, and 3.9% reflecting a slightly worse scenario, which is today's central case, unemployment peaks at 4.8% next year, as I said between the soft landing and mild recession.

And for a wider range of scenarios, so you can pick your own adventure, let's turn to the next page and a Card stress analysis. Okay. You can see loss rates next year under the range of scenarios, and as Jeremy said, we are currently reserved for a weighted average peak unemployment at 5.8%, in grey. Of course, losses are unlikely to be realized ratably over time, they will be frontloaded in reserves, as Jeremy said.

The final page then on credit will wrap up with the other businesses. We are maintaining discipline, our portfolios are clean, and performance is generally in line with expectations. With the exception of Business Banking on the bottom right, you can see loss rates are slightly elevated, a function of an intentional expansion in small dollar credit. While we expected this to lead to higher losses, for which we priced, performance was outside of our expectations and we've tightened and seeing credit metrics roll over. For context, this is a smaller part of our portfolio, and most importantly for you all, it is not an indicator of stress more broadly.

Rounding off the financial story with expenses. This year, we expect expense to be around $41 billion, and you can see the thematic drivers of the year-on-year increase in the walk. Unsurprisingly, they are consistent with our investment and growth strategies. So, field and branch network, marketing and tech and product.

On the following pages, I'll dive into each of these to show you the incremental productivity and efficiency we're delivering. But stepping back, one point that I know isn't lost on you is that in our expense, is auto lease depreciation, a function of accounting geography. I'll remind you that for every dollar of auto lease depreciation we have, we have more than a dollar of auto lease income in the same period. The reason this is coming into focus right now is because loan and lease mix is now normalizing after sharp pandemic declines. Excluding this, underlying expense growth is slowing from a nearly 9% CAGR from 2019 through 2024 to now a little more than 6%.

So, let's move on to the field and branch on the next page. We've shaded these bars into same-store and expansion, where expansion incorporates both new builds as well as incremental bankers and advisors across our businesses. We're seeing overall growth this year moderating to 5% as we have ramped up our investments over the last five years, and now they're at a steady clip and they are in our run rate.

On the right, notable performance metrics. Our investments in branches, bankers and advisors, pretty consistently breakeven in less than four years, with new branches and advisors making meaningful contributions to deposits and investment gains. And at the bottom, over the last five years, you can see that the field has become significantly more productive across job families, delivering the franchise benefit of this channel.

Marketing, shown here, these numbers are gross and they include credit card acquisition premiums reflected in contra revenues, which brings our estimated spend to be a little over $10 billion this year. Starting at the bottom with acquisitions. We have data-driven confidence in the performance of new vintages consistently meeting or exceeding our expectations, and 2024 was no exception, delivering a more than two times return on investment and an 85% increase in vintage lifetime value versus 2019.

The far largest part of this, of course, is Card. Over the last several years, we've seen a change in mix towards fee-based cards, yes, driving higher costs, but also higher value. We expect to break through 10 million accounts this year. Our current outlook is for more than 10.5 million, with the increase being primarily in premium travel cards. Again, higher costs, higher value, and strong returns. In addition, we're spending more on media this year, supporting product refreshes and launches. The 2025 acquisition vintage is estimated to deliver a two times return on investment again.

Moving up to the lighter blue bar, our strategy is to provide product benefits that are easy to use. So, stronger growth here is a very good thing as we continue to add more and more benefits to our cards, including our Sapphire lounges. This level of engagement is in line with product design and business case, so we are getting paid for it. You can see that on the right, we've grown annual fees at a 13% CAGR over five years with strong retention and a material improvement in top of wallet share for customers who engage with these benefits. So, actual marketing spend will always be a function of the demand and excitement in the market for our products, which is strong today and reflected in this outlook.

The third big investment category, tech and product, is on the next page. We estimate spend of about $9 billion on tech, product and design this year, moderating to a 6% growth rate year-on-year. $7.4 billion of this is in tech, about 10% of revenue. Production expense is at the bottom and is up modestly this year, with the impacts of outsized wage inflation and First Republic migration, among other things, largely behind us. Moving up, as Jeremy also said, we expect the amount we are spending on modernization and lower discretion investments to be relatively flat looking forward, and these investments include addressing risk and controls and products and platform maintenance.

Strategic investments are up, as we refresh Card financial products and improve digital and engagement platforms, including deploying AI to enhance our servicing interactions. In the table on the right, you can see some of the results. We have increased code deployments by more than 70% over the last two years and improved the quality of product delivery over the same period with a 20% reduction in work being re-planned. Our investments this year have more than two times return on investment and continue to pay back within five years, and our investments in AI/ML delivered a 35% increase in value last year.

Moving on to operations, another great story. Outside of fraud costs, you can see expense is basically flat over five years, and relatively flat coming into this year, clearly demonstrating the benefit of efficiency. Accounts serviced per ops headcount are up 25%, in part because we've eliminated customer pain points and improved the ability for customers to self-serve, which has driven a nearly 30% decrease in servicing calls per account. In addition, processing costs have gone down by 15%. And while AI has definitely contributed here, a lot of this is good old-fashioned process automation and organizational efficiency.

On fraud, even as bad actors get more sophisticated and threat vectors get more complex, with a 12% CAGR in attack rate, the cost of fraud in basis points has been flat over the same period, and here AI has been a very significant part of the solution. We have even higher expectations for driving efficiency going forward in the illustration on the bottom right. Ops head count, excluding Home Lending, has grown by only 13% over the last five years, while the business has grown by more than 25%, so a 15% productivity. The operations team is at the tip of the spear on using and leveraging new AI tools and capabilities. And based upon what we know today, we expect headcount will trend down by about 10% over the next five years or so, even as the business grows by another more than 25%. So total productivity of above 40%.

But I would take the over on this projection, and I'll bet we will deliver even more as the tools and capabilities just keep getting better and better, which is a great segue to talk more broadly about the value that we've been delivering across CCB from leveraging data in AI/ML. Across the top you can see we have a very rich and valuable tapestry of data. And despite the step change in productivity we expect from new AI capabilities over the next five years, we have been delivering significant value even with more traditional models and the value we're delivering is growing exponentially. I point that out for two reasons; one is that, not every opportunity requires Gen AI to deliver it, and we are "all systems go" already; and second, we are well on our way, modernizing our data to make it more efficiently consumable and machine readable.

First, by migrating to the public cloud to achieve max storage and compute efficiency, and we're done here. Our users in reporting need to migrate to the cloud too, and we're well on the way there. Being on the cloud isn't the only thing, of course. Our data needs to be in our target platforms. We're about halfway through that journey, and making data truly fit-for-purpose will include a subset that will need to be streamed real-time, and we've made significant progress here, in particular, for servicing and personalization. There's still a way to go, but as I said, in the meantime, we are delivering significant value. Moving to the right, 35% more value last year and we expect an acceleration this year.

The biggest driver looking forward is expected to be revenue productivity, as a result of enhanced credit strategies, marketing and sales optimization and pricing and personalization. Personalization is like a 1,000 points of light. It's not one big thing, it's every individual experience we deliver just driving more and more value. By way of example, and there are many examples, we are now beginning to personalize the mobile landing page, changing up what we show you based upon, of course, your relationship with us, but more importantly, what we believe would be contextually relevant to you today. For example, if you are a points enthusiast we'll prioritize Ultimate Rewards content spotlighting ways to engage, earn and redeem points. Results so far are strong. When we personalized the mobile home screen, we achieved a 25% higher engagement rate.

Wrapping up the financial section, it's fair to say that the macroeconomic and regulatory outlook remain fluid and uncertain. We have a very strong hand, but we never underestimate the competition everywhere. What has served us well in the past will serve us well in the future, running the business with a long-term view and through-the-cycle metrics, looking around corners to build capabilities, products and businesses that give us strategic optionality and operating with a growth mindset, competing to win. So speaking of winning, let's move to our strategic growth plans, and here you can see, we do have bold long-term ambitions, but we do have plans to deliver them. I'm going to take you through those and then I'm going to come back to this page at the end.

Starting at the top with customer experience, we, of course, can't forget what we're here for, which is serving our customers across their financial needs. Our long-term growth and profitability depends on enduring relationships and loyalty from our customers, only possible if we deliver an extraordinary experience. It doesn't just happen. It's in the culture. This is a game of inches, particularly when starting from a high base like ours. With record NPS last year, up 5 points over the last five years. But we can and will do better. And here, too, we manage at a granular level, not just at the business level, across channels, across products, segments, and we even measure and manage interactions. Personalization is the key to unlocking the next frontier in customer experience, and our data and AI agenda is how we're going to get there.

Now to our plans by business, starting with Banking. We are outgrowing the competition in deposits with a 7% CAGR in Consumer and 12% in Business Banking driven by the strength and consistency in customer acquisition and contribution from investments in new branches. We've gained 220 basis points of share over five years and have momentum. But you can see that it hasn't been linear, which sparks the question, is growth slowing? Short answer is no. I think you could agree that the last few years have been very atypical. At the peak, we estimate we had about $300 billion of excess deposits and our growth materially outpaced the industry on the way up because of the strength of primary bank relationships. Now, as customer balance sheets have normalized through 2024, and we're seeing deposits move higher, so we expect to resume our historical share gain trend.

On Business Banking, we're also gaining share as a primary bank, up nearly 30 basis points over the last five years and have confidence that that will continue. All in all, we maintained number one positions in both deposit share and primary bank for business. So I do know that a key question on your minds is how do we get to 15% share from here? So let me show you. First of all, a history is an indicator of the future statistic.

We have added about 30 basis points of share a year over the last 10 years, and we expect growth broadly consistent with that to continue. Let's break down the 220 basis points of recent gains in the chart.

Putting First Republic to one side, which contributed about 40 basis points. Over the past five years, as you know, we've embarked on an ambitious strategy to expand our network nationally and lay the foundation for capturing share in expansion markets. Those expansion markets represent 40% of total retail deposits, and 80% of our new builds since 2019, the 660 that I circled on the right. New builds, including in expansion markets delivered in total about 100 basis points of share. Finally, continued growth in our mature footprint contributed the rest of it, 80 basis points, split pretty evenly between heritage Chase and WaMu. With WaMu, we achieved a significant presence in some of the largest deposit markets, including in California and Florida, that we did not have a presence in before, and we have outperformed because of the strength of our brand, having the best people, the best real estate, products and services and uplifting the customer experience. So looking forward, we're no longer going to discuss the various heritages. Instead, we are showing you the breakdown of expected gains by our presence or our density in a market.

As branch density increases, so does deposit share, as the two are highly correlated. You can see growth across the board, but with a larger contribution from expansion markets, as you would expect. In fact, all new builds continue to deliver another 40% of these future gains, and we continue to make meaningful progress optimizing the network in mature markets, where we already have significant share, and you can see that on the next page. We have delivered widespread share gains in all of the top 25 markets and 95% of the top 125 where we have a presence. We're number one in four of the top five. You can see the outsized gains in large California markets like Los Angeles and San Francisco, and in Florida, in Miami and Tampa. In large expansion markets like Boston, D.C. and Philadelphia, we have real momentum, and now nearly 2% share from a standing start.

So I hope that all this detail has given you more insight and confidence into the branch and deposit strategy. But stepping back to wrap up, 20% of our branch network is less than 10 years old, with more than $160 billion of deposit opportunity embedded. And while we discuss branches maturing in 10 years being the steepest part of the curve, they of course, have not fully matured, still showing accelerated growth for many years after. And to that end, we have another 10% of our network that is between 10 and 15 years old with a further $50 billion of deposit opportunity. Of course, nothing is in the bag, but that is a pretty serious tailwind. It isn't just the branches, it's also the outperformance of customer and account growth too as we continue to invest across the country and serve local communities.

As you know, we aim to be the bank for all, investing in products to meet the unique needs of diverse customer segments. When customers are in the right product for them, we see greater satisfaction, higher wallet share and better retention. We've been focused over the last few years on growing relationships with starter and low mass customers, and are making material progress with an 11% CAGR, and these segments now represent a quarter of all our accounts. Another focus is the affluent segment, and we introduced J.P. Morgan Private Client, a new tier in our product continuum to deliver an elevated banking experience that deepens into Wealth. In small business, we're growing at a healthy 9% CAGR across segments, and covering more of our larger clients with business relationship managers, launching new value-added services and tools like invoicing, payroll and customer insights.

And for smaller businesses, we are maniacally removing points of pain and friction to make banking with us seamless and easy, driving the NPS for the segment up 8 points since 2022. So together with our branch investments, these products and segment strategies will continue to fuel outsized growth and underpin our path to 15%.

Moving then onto Card. With an 11% CAGR in sales and 6% in loans, we've gained 110 basis points of sales share and 90 basis points of lending share over the last five years, and so far, 2025 looks like a continuation of this growth. Relative to our 20% outstandings share ambitions and the path to get there, it's also helpful to zoom out and have a broader and longer term context on the next page. So here, looking back over the last decade, we've delivered about 210 basis points of underlying core OS growth. And I say underlying and core because we have made a pro forma adjustment to the starting point to normalize for the elevated level of prior cycle balance parkers. We spent the first half of the decade risk managing these balances down to focus on highly engaged, spend-centric customers. So 200 basis points over 10 years is about 20 basis points a year. Now, looking at the last five years, it was a game of two halves. Obviously share gains were not our objective function at all during the pandemic, risk management was. In fact, we ceded a little bit of share during that highly volatile time. So the 90 basis points over five years is, in fact, 100 basis points over just the last two years, and we have the wind at our backs. Looking forward, we expect to deliver growth above that long run 10-year average, a function of investing in marketing, risk optimization, as well as in our segment and product strategies.

On the top right, our growth in priority segments is outpacing the total and we have room to run. As good as we are, we know we are not number one in affluent or small business. These segment strategies are supported by a marketing engine that is now delivering 30% more new accounts each year versus five years ago. And with capabilities that maximize the benefit of our own channels and “on us” data, including targeting qualified borrowers with enhanced line strategies. So this is a longer term ambition, but we did it before, and I think we'll do it again in less time.

So let's talk about segment strategies. Here too, growth is fueled by a comprehensive product set serving customer needs across all segments. We have award-winning cards and continue to innovate driving record top- of-wallet behavior up five points since 2019. We have been focused on growing the premium and small business segments, and are making progress with double-digit growth rates in each.

Marketing and account acquisition is to Card what branches and bankers are to Banking. We have been consistently acquiring 10 million new high-quality accounts a year over the last three years, and each vintage we're booking is larger and more valuable, outperforming the last in OS contribution, driving a more than 80% increase in vintage lifetime value, or more than 40% per account since 2019. In Card, we think of long-term performance like a stacking of pancakes, one vintage on top of the other. Acquisition costs, as you know, are amortized upfront over one year. Each vintage matures and peaks in performance by year three, by which time it's paid back. Then it stabilizes, consistently delivering annuity value thereafter. So it's the strength of each vintage and the cumulative effect of consistently stacking them that drives growth and outperformance. And our recent vintages are delivering a two times return on investment.

Moving on to Commerce. We've doubled both Travel and Offers volumes since launching Connected Commerce in 2021, and we will reach, or come close to reaching, our $30 billion volume target this year, and $2 billion revenue run rate target at the end of next year, obviously market dependent. Looking forward, we have a massive opportunity within our customer base. On the right, you can see that there is nearly $450 billion of addressable spend on our cards today, growing at a 10% CAGR, and we're only capturing a little over 5% of that share on our platform, although up 240 basis points, but we have ambitions to double that to 10% over time and achieve a $3 billion revenue run rate. We earn fees and commissions when we introduce brands to customers on our platform. These are merchant funded, but the value accrues to both merchants and customers.

We are proud of the progress and the results to date. Starting at the top, in Travel, 4.2 million customers booked travel with us last year, and we secured the number three spot as a consumer leisure travel provider in the U.S. We are looking to increase the share of Chase branded card spend on our platform, which has already increased by more than 200 basis points. And we have scaled our hotel collection, The Edit, now representing more than 1,000 premium hotels, offering our customers exclusive benefits and experiences. We're also expanding dining benefits, recently launching exclusive reservation access for Sapphire Reserve cardholders on OpenTable. A core part of the value proposition of the Commerce platform is also to drive value to merchants by connecting our premium customers to brands they love.

We launched Chase Media Solutions last year, driving strong growth with 16 million customers activating an offer and $12 billion of spend on the platform, growing at a close to 30% CAGR since launch. Payments – payments are core to everything we do because they are core to everything our customers do. Those who move the money have an outsized influence on where it's stored, invested and how it's borrowed. We moved $6.4 trillion in payments outflows last year, growing at an 11% CAGR, and today 80% of non-card payments are digital, up 16 percentage points over five years, reflecting an industry wide transition away from checks. We continue to invest in a wide suite of payment and lending options to give our customers flexibility in how they pay and borrow.

More than 6 million customers are now using our range of Pay Over Time solutions across credit and debit cards, originating nearly $11 billion last year, up 25%. Once again showing how quickly our products and innovation scale across our incumbent customer base. Wrapping up this page, no conversation on payments would be complete without a discussion on trust and security, which we believe is a competitive advantage. Notably, our fraud and scam claims rate on Zelle is down 26% year-on-year as we invest in customer education, protection and prevention capabilities. Let's move on to Wealth Management.

Wealth Management reached $1 trillion in client investment assets last year, outgrowing the competition. Yes, strong market performance and First Republic contributed, but the largest driver was net client acquisitions and flows. As we've doubled our assets, so we've doubled revenue. The secret sauce is in leveraging the branches and delivering a deep integration between Banking and Wealth. 90% of new advised clients were referred by bankers, and the significant investments we've made are paying off, ranking number one – and I'm going to say this, this is J.D. Power's words – in J.D. Power Wealth Management Digital Experience for Investor Satisfaction last year. We are sitting on a gold mine with material opportunity in our franchise and real momentum. On the right, we are drafting off the customer base in Consumer Banking with 5.5 million loyal, affluent banking households. Last year, nearly 19% of them invested with us, up 160 basis points over two years. We are also penetrating the broader customer base more deeply, up 60 basis points over two years.

This is great progress, but we're just getting started, and are setting a new long-term ambition to double the business again and reach $2 trillion in client investment assets. There's an opportunity in both advised and self-directed channels to realize this ambition. In advised, the branch referral model that I mentioned is strong, acquiring a record more than 150,000 first time advised relationships last year, and last quarter set yet another record. We now have 15 J.P. Morgan Financial Centers open to deliver an elevated banking and wealth experience. It's early, but using Columbus Circle as a proof point, we are seeing both stronger growth and great customer satisfaction. For clients who have a full-service relationship with us, we currently capture 55% of their investment wallet, which is good.

But opening a self-directed account is a strong, deepening moment, adding an incremental 5 percentage points of wallet share. We're enhancing the self-directed platform to capture more of this opportunity, but today we feel like we have a very well-positioned offering for the vast majority of our core clients. 2024 was a breakthrough year in that respect. We launched detailed performance reporting, trust accounts, fractional shares, leveraged ETFs and more. And while today only 5% of Wealth Management clients have a self-directed relationship with us, it is up 50 basis points year-on-year. And we know that half of them have an SDI relationship somewhere, and that's our opportunity. In addition to branch super powers and the significant investments we've been making in products and digital experiences, our growth is also a function of investing in human advice.

We've been consistently adding, training and supporting advisors year-on-year, up 37% since 2019. That means, about half of our advisors are tenured less than five years, which is a tailwind for investment growth just as our new branches are for deposits. But just adding advisors is not enough, we need to make them more and more productive. As you can see in the chart on the right, we're delivering on that with two times flows per advisor since 2019.

So a couple of minutes on Home Lending. Home Lending is critically important to our customers in key moments of their lives. It is a relationship product. When affluent customers get a home loan with us, we deepen relationships with them in deposits and investments. That said, scale matters, and we are not currently at scale in originations in the smallest mortgage market for decades, and in part a result of our risk appetite decision to not fully participate in large parts of the market, notably government mortgages and brokered loans. So it's tough right now, but we are controlling what we can control.

We have right-sized the business with production headcount down 35% in a market down 35%. Pound for pound, we've made each Home Lending advisor about 15% more productive in purchase originations in a market down 25%. We've invested in digital engagement, including the Chase MyHome platform, which now has over 9 million unique users driving leads and conversion. And we recently launched a home equity product this past quarter, which is ramping nicely.

Our improved digital capabilities and predictive modelling positions us to take advantage of refi opportunities as and when rates come down. In the meantime, we have plans to drive market share at the margin in key markets and within our risk appetite. On Servicing, we are the number one owned servicer, at least for now. We have reduced direct expenses meaningfully, also down 35%, and achieved scale through MSR acquisition. We have maintained best-in-class cost per performing loan and continue to deliver customer satisfaction at record high levels, up 10 points since 2019. On the far right, you can see the challenging macro environment, and of course, we can't defy gravity. The business, including First Republic, is delivering a 21% return on equity today, with our core business at 9% fully loaded, and 11% if you include the benefit of relationship value to deposits and investments. But on a marginal basis, those same returns are firmly in the teens, which is why we believe, we will achieve our target in a more normal market, and while it's tough right now, Sean, if there's one thing the Home Lending team has, it's grit.

Last but not least, the story for Auto is the same, insofar as it's an important part of the complete product set, with value propositions that serve the needs of consumers, dealers and manufacturer partners. Last year, our digital experiences were ranked number one by J.D. Power for customer satisfaction among non-captive lenders for Auto Finance consumers, and 13 million unique users engaged with our car shopping platform. Franchise dealers in the U.S. are the backbone of the industry, and we cater to all of their needs, including floorplan lending and treasury, and we're getting faster at decisioning and funding contracts increasingly using AI.

Finally, we are the private-label, captive finance provider of choice for industry-leading manufacturers. Our captive partners performed well last year. Jaguar Land Rover ranked number one in dealer satisfaction among premium captive lenders, and Subaru ranked number two among mass, according to J.D. Power. Last year we saw $40 billion in originations, up 19% since 2019, outperforming the markets where financed units were down 14% relative to our 8%. Importantly, lease originations are now rebounding, with origination mix now approaching 2019 levels. Of course, the portfolio will lag that recovery and so we expect lease mix to normalize up over time. As portfolio mix evolves, returns will improve towards the target, which brings us up to date.

The strength I described in Auto continued through the first quarter and in fact, as you know, March and April saw a pull-forward of car buying supported by current dealer inventory. The tariff situation is still fluid and pre-tariff inventory will be depleted in the next month or two. We're closely monitoring the whole ecosystem, but we remain committed to the auto market and being there for all of our stakeholders.

Okay, we are in the homestretch, how are you all doing? Back to this page. This is what success looks like. Realizing bold, long-term growth ambitions. We aspire to reach a 70 NPS across the business, and in fact, as I said, across every aspect, each business, channel, product and interaction with our customers. We are outpacing the competition and making steady progress towards 15% deposit share, and 20% share of Card outstandings.

We are setting goals to double again each of Connected Commerce and Wealth Management. For Connected Commerce to reach 10% of addressable spend on our platform, and to reach $2 trillion of client investment assets in Wealth Management. The environment is very challenging for Home Lending and uncertain for Auto right now. But we remain committed to these businesses through the cycle. So closing for CCB, ending where I started, we operate from a position of strength, we are a growth franchise and we're gaining share broadly across businesses. We're not big braggers, but we are proud of this performance. Don't let the rankings on the page fool you. We're also not complacent. There's always more to do and we are getting at it, consistently investing in bankers, advisors, branches, marketing, tech, AI and customer experience more broadly.

These investments and the discipline we bring to them will differentiate us in the years to come. And while the environment today is highly uncertain, we have a track record of proven capital, liquidity and risk management. We are excited and we are confident about the future and remain committed to a 25% return through-the-cycle. And with that, I'll take Q&A. And before I do, the CCB management team is sitting at a table here, and we have three new leaders, Sean Grzebin for Home Lending, Sean; Leslie Wims Morris for Auto; and Peter Muriungi for Connected Commerce, previously in Auto. They will be here for the rest of the morning. So anything you want to do or ask them, you can. But for that, we have questions now.

QUESTION AND ANSWER SECTION

Mikael Grubb
Head of Investor Relations, JPMorganChase

Right. We have about 10 minutes for questions here. Erika, why don't you go first?

Erika Najarian Q
Analyst, UBS Securities LLC

Hi, Marianne. So on Card now you have your two biggest competitors, American Express and Capital One, both own credit card networks, and of course, especially American Express have touted the advantage of having a network and having better data especially and how that gives them an edge in affluent, and you talked about getting bigger in affluent. I'm wondering as you think about the continued challenge of taking on these two competitors, how you're thinking about competing now that both these competitors have perhaps an advantage on having these credit card networks?

Marianne Lake A
Chief Executive Officer of Consumer & Community Banking

Okay. So a couple of things. First of all, as you know, American Express has had the network the whole time. We've been competing with them, notwithstanding the Capital One, Discover merger. I'll start just by saying that our network partners, Visa and MasterCard, have spent tens of billions of dollars year-after-year investing in, I think, the best networks that exist, that have extraordinary international coverage and holistic acceptance. And so we're very proud to partner with them. And I would also say that I think our data assets are equally powerful, because while it is true that we don't have a credit network that we own, we do have extraordinary partners. We do have an entire CCB franchise. We have the Consumer Bank, we have the Wealth Management complex. We have all the rest of our lending businesses. And so while they have a strategic asset that we don't have at this moment, we have plenty they don't have. We've been competing with American Express on that basis for a long time, and have done very, very well. It would be, of course, remiss of me not to point out that there are risks on the horizon. Credit Card Competition Act being one of them. We can't obviously talk about all of our plans. We don't believe that that should or will move forward. But we will obviously adapt and we've shown a pretty remarkable ability to adapt. So I like our hand. We don't have to be exactly the same to do just as well, if not, better.

Mikael Grubb
Head of Investor Relations, JPMorganChase

Ebrahim, go ahead.

Ebrahim H. Poonawala **Q**
Analyst, Bank of America Merrill Lynch

Marianne, just a two-part question on deposit and your deposit customers. As you think about – as the interest rate cycle has matured, how have your view on the economics of the deposit franchise customer behavior evolved over the last few years? And second, tied to the Payments business, talk to us when you think about digitalization, stablecoin, blockchain, how do you think about the long-term sort of evolution of deposit franchise and deposit economics for consumer banks?

Marianne Lake **A**
Chief Executive Officer of Consumer & Community Banking

Okay. So I'll start with deposit economics moving forward. I feel like, when I was CFO, and we were doing this whole, before the 2017 through 2019 early increases in rates, we were pretty clear about the fact that we thought that the next rate cycle, rates paid would look different and behave different than it had in the past, because there are things that are equally, if not more important, to customers than just rate paid. And the investments that we have been making in brand, in convenience, in branches, in people, in products, in services, in engagement tactics. And I would say that looking back now over the last cycle, that's proven to be at least somewhat true. And so we did see, even though the environment was a rapid increase of rates, very significant, we did see rates paid lower than our modeled expectations would have been.

And so I think that there's no reason for us to believe that the deposit economics will not continue to be very strong as long as we continue to deliver superior products and services and experience, and a wide range of them and make it compelling for people to want to bring their financial lives to us, and we've done a good job of that. Obviously, if rates stay higher for longer, we could continue to see competition for deposits. We could continue to see reprice. We hedged that way. I talked about it. So I think we feel pretty confident in that looking forward. And of course, let's not forget that 50% of all new-to-Chase customers come in through the bank, the other 50% come in through Card, and then we deepen. So there's also lift that way.

Payments innovation, yes, second part, Payments innovation, look, we welcome innovation, we welcome competition. It is our job to provide flexibility and choice for our customers. I think we've done that. And so we're pretty excited about the potential for new payment form factors to participate in consumer payments over the longer term. But of course, we have two sort of premises, one is that, that there must and should be a value proposition for consumers; and two is that there should be adequate customer protections. And at the moment, that's not true. So it's not – we're not resisting change. We're all in. We're definitely building capabilities and technology that will allow us to leverage multiple methods of payment everywhere so that our customers can.

But right now, the existing payments, U.S. consumer payments infrastructure is the envy of the world. It works safely, securely, reliably, access to funding and credit 24/7 real time. And so there are not so many pain points that these things will solve right now if they don't have incremental value propositions, if they don't have adequate protections. The U.S. consumer has been habituated to believe that their service providers will have their back. As banks we do. It's incumbent on us to think about new methods of payment, new networks, to have all of those same things too. So we're advocating for our customer, no more than that, but I'm excited about Payments innovation and we're going to lean into it too. You'll hear I think more about that from Umar in a little bit.

Mikael Grubb
Head of Investor Relations, JPMorganChase

Saul Martinez, go ahead.

Saul Martinez
Analyst, HSBC Securities (USA), Inc.

Q

Hi, thank you. Slide 21 is showing 25% growth plus headcount reductions over a long period of time, granted, striking and this might be a question for future Investor Days, the future is coming pretty quickly. I wanted to ask you what you think the implications of that are. Does this lead to a step function change in profitability, or I mean, just how do you think about how the value gets distributed between shareholders, consumers via pricing or product design and further investments in growth of the business? Just kind of the broader implications of that trend.

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

A

Okay. So look, I'll say a few things. The first thing is that, as you know, we think that we're going to get efficiencies across the board, whether that's in risk management, whether that's in operations or in back office, but a lot in revenue productivity, getting more for the same. We have 51,000 ops specialists today. We hire 8,000 a year, and we're growing at 5%, 7%, 9% a year across various metrics. So we will continue to grow. And so that's going to be offsetting implications. It is part of why we believe we'll continue to outperform in terms of returns. Right now, our returns are through the cycle 25% plus. We're obviously going to just try and do better and better for our customers. But as we get more leverage out of every dollar we spend, then we think that we will grow profits, and as we grow profits, we'll grow capital, and as we grow capital, it will be available to deploy, as Jeremy said, in the hierarchy we normally do. But it will get more efficient for customers too. Betsy? Sorry, Mikael. Betsy.

Mikael Grubb
Head of Investor Relations, JPMorganChase

We'll take Betsy next.

Gerard Cassidy
Analyst, RBC Capital Markets LLC

Q

Hi, Marianne. Gerard Cassidy.

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

A

Oh, Gerard, where are you? Hi, Gerard.

Gerard Cassidy
Analyst, RBC Capital Markets LLC

Q

Over here. You gave us very good granularity on slide 28 about your deposit growth, and how it came about. Did you guys take a look at the impact of the COVID situation and the pandemic, and the Fed's balance sheet growing so dramatically as well as the government payments, and what that might mean for growth going forward for deposits?

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

A

Yes. So, that's one of the reasons why, and if you missed it, I'll repeat it, it's one of the reasons why I said that, during the pandemic, we actually assessed that we onboarded about $300 billion of excess deposits because of the relationships we have. We have seen those normalize out of the system, and we would say that cash sorting, while I know Jeremy said we're not going to call the end of it, is more behind us than in front of us based upon the range of outlooks that we're looking at and the excess liquidity that we had has been substantially depleted.

And so that's why you're now seeing that the growth trends we were on before adding about 2 million net new checking accounts a year across consumer business, are starting to plow back through to regain the momentum we had before. So obviously, there's nothing about the last five years that has been normal. In fact, you might argue there's not a lot about the last 10 years that has been normal. But we do think that deposit growth in the industry should grow, why not plus or minus nominal GDP and we're going to outgrow it.

Mikael Grubb
Head of Investor Relations, JPMorganChase

Okay, we'll take our last question from Betsy Graseck down there.

Betsy L. Graseck Q
Analyst, Morgan Stanley & Co. LLC

Okay. Thank you. Marianne, two questions. One on just the deposit discussion we've just been having. Open banking seems to come and go as a potential change to the system. And I'm sure you thought quite a bit about it. Could you give us your views on how you're preparing for the possibility that open banking comes through? And then on the Card, just wanted to understand, getting the 10% of spend, how much of that is fueled by loans? Thanks.

Marianne Lake A
Chief Executive Officer of Consumer & Community Banking

Okay. So on open banking, so I should start by saying, so we can talk about 1033 if you want, or maybe we can talk about it outside. But I'll start by saying that, for close to a decade now, we have been a leader in making it easy for our customers get access to their data through industry-leading agreements that we have with third parties, including aggregators. And so we completely think that customers should have the choice of moving their data, and for that matter, moving their accounts if that's what they choose to do, and we compete, because we think we have a better solution for them. And so far, despite the fact that we have made it easy to do that, and of course, there are some things that are moving in that direction, so far, we have been proved to be right. It is also the case, you should remember, that we think we will be in that beneficiaries of open banking too.

The ability to consolidate your information and your banking with us. And so we also are a recipient of data through those mechanisms. So for me, it's less about whether open banking will disrupt. I'm sure it will be a positive disruptor and also competitive. And we feel fine because of the quality of the services we're providing. For me, it's more about the way the rules are written and making sure that the playing field is level, that the liability follows the instigator of the activity. That risk management is not something that the banks have to do all the way through the ecosystem, multiple hops away, that we're able to get paid properly for the services we provide. And that more importantly and most importantly, that customers' data is only used for the thing that they want it to be used for in the moment that they want it to be used and not subsequently monetized by third parties in less secure ecosystems.

Betsy L. Graseck Q
Analyst, Morgan Stanley & Co. LLC

Thank you. And then on the Cards.

Marianne Lake A
Chief Executive Officer of Consumer & Community Banking

Oh, sugar. Sorry. The Card one, what was the Card one.

Betsy L. Graseck Q
Analyst, Morgan Stanley & Co. LLC

The Card spend goal you have. I just wanted to understand how much of that is driven by an increase in the lending that you're providing to your customers to hit that spend goal?

Marianne Lake A
Chief Executive Officer of Consumer & Community Banking

Yeah. We actually don't really have a spend goal. We actually currently have a lend goal, not because we usually set either of those two things as a goal, they're usually an outcome of best-in-class products and services, marketing to the right customers, great execution, et cetera. We

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

A

only set ourselves a lending goal because we believe that we're actually structurally punching below our weight in lending, in particular, in affluent and small business, compared to our 23.5% sales share. And so in both cases, they are an outcome of acquiring these 10 million customers, making sure we're acquiring the right customers, making sure that we're focused on benefits and engagement that they want to use.

So we've never built our products to be profitable because of breakage in use of benefits. We've built them hoping you use 100% of every dollar of value we put in them, because that's the flywheel that continues to drive growth. And so our growth that has pretty consistently historically been plus or minus double-digits, we expect that to continue just because of the products that we have in market that are diversified across segments, cashback, premium T&E, and we have the best co-brand partners and we're the number one co-brand issuer. So we have scale.

Betsy L. Graseck
Analyst, Morgan Stanley & Co. LLC

Thank you.

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

Thank you.